

## APPENDIX A-2010: 2010 ANNUAL FEDERAL TAX RATES AND LIMITS

This appendix provides the 2010 Federal income tax withholding formula, Federal income tax withholding rate for supplemental payments, military deposit and back pay interest rates, OASDI and Medicare wage base and withholding rates as well as the Thrift Savings Plan (TSP), Flexible Spending Account (FSA), and Health Savings Account (HSA) annual contribution limits. In addition, the appendix provides new procedures and withholding tables used to compute withholding tax for non-resident alien employees.

**A. FEDERAL INCOME TAX WITHHOLDING FORMULA:** The 2010 Federal income tax withholding formula affects the computation of the Federal income tax deductions for salary paid on or after January 1, 2010. The following are the procedures for computing the 2010 Federal income tax withholding:

- 1 Calculate the annualized gross wages by multiplying the biweekly gross wages by 26 pay periods.
2. If the employee is a nonresident alien, add \$2,050 to the employee's annualized gross pay.

**Note: Nonresident alien students from India and business apprentices from India are not subject to the procedure reflected in 2(b). You must use the single wage bracket table regardless of the employee's marital status.**

3. If the employee participates in TSP, TSP Catch-Up, FSA program, Federal Employees Health Benefits – Premium Conversion (FEHB-PC) program, FEDVIP Vision/Dental and/or Health Savings Account (HSA), multiply the biweekly deductions by 26 and subtract this result from the annualized gross wages to determine the adjusted annualized gross wages.
4. Multiply the number of exemptions claimed by \$3,650.00 and subtract this result from the adjusted annualized gross wages to determine taxable wages.
5. If the employee is **SINGLE** or **HEAD OF HOUSEHOLD**, apply the rates below to taxable wages to determine the annual tax amount.

TAXABLE WAGES		AMOUNT OF TAX
OVER	NOT OVER	
\$0	\$6,050.00	\$0.00 <b>plus</b> 0.0% <b>over</b> \$0.00
6,050.00	10,425.00	0.00 <b>plus</b> 10.0% <b>over</b> 6,050.00
10,425.00	36,050.00	437.50 <b>plus</b> 15.0% <b>over</b> 10,425.00
36,050.00	67,700.00	4,281.25 <b>plus</b> 25.0% <b>over</b> 36,050.00
67,700.00	84,450.00	12,193.75 <b>plus</b> 27.0% <b>over</b> 67,700.00
84,450.00	87,700.00	16,716.25 <b>plus</b> 30.0% <b>over</b> 84,450.00

TAXABLE WAGES		
OVER	NOT OVER	AMOUNT OF TAX
87,700.00	173,900.00	17,691.25 <b>plus</b> 28.0% <b>over</b> 87,700.00
173,900.00	375,700.00	41,827.25 <b>plus</b> 33.0% <b>over</b> 173,900.00
375,700.00	AND OVER	108,421.25 <b>plus</b> 35.0% <b>over</b> 375,700.00

6. If the employee is MARRIED, apply the rates below to the taxable wages to determine the annual tax amount.

TAXABLE WAGES		
OVER	NOT OVER	AMOUNT OF TAX
\$0	\$13,750.00	\$0.00 <b>plus</b> 0.0% <b>over</b> \$0.00
13,750.00	24,500.00	0.00 <b>plus</b> 10.0% <b>over</b> 13,750.00
24,500.00	75,750.00	1,075.00 <b>plus</b> 15.0% <b>over</b> 24,500.00
75,750.00	94,050.00	8,762.50 <b>plus</b> 25.0% <b>over</b> 75,750.00
94,050.00	124,050.00	13,337.50 <b>plus</b> 27.0% <b>over</b> 94,050.50
124,050.00	145,050.00	21,437.50 <b>plus</b> 25.0% <b>over</b> 124,050.00
145,050.00	217,000.00	26,687.50 <b>plus</b> 28.0% <b>over</b> 145,050.00
217,000.00	381,400.00	46,833.50 <b>plus</b> 33.0% <b>over</b> 217,000.00
381,400.00	AND OVER	101,085.50 <b>plus</b> 35.0% <b>over</b> 381,400.00

7. If the employee is a nonresident alien, use the following table to calculate an additional amount of tax. Add this amount to the tax amount calculated in the previous steps. Use the employee's taxable wages (after adding \$2,050 and subtracting the withholding allowances) to calculate the additional tax.

TAXABLE WAGES		
OVER	NOT OVER	AMOUNT OF TAX
\$0	\$2,050.00	\$0.00 <b>plus</b> 0.0% <b>over</b> \$0.00
2,050.00	6,050.00	\$0.00 <b>plus</b> 10.0% <b>over</b> \$2,050.00
6,050.00	67,700.00	\$400.00
67,700.00	87,700.00	\$400.00 <b>less</b> 2.0% <b>over</b> \$67,700.00
87,700.00	AND OVER	\$0.00

8. Divide the annual tax amount calculated in steps 2e or 2f, and 2g (if applicable), by 26 to determine the biweekly withholding amount.

**B. FEDERAL WITHHOLDING FOR SUPPLEMENTAL PAYMENTS:** For tax year 2010, the Federal tax withholding rate for supplemental payments will remain at 25 percent and the State tax rate remains at 4 percent. The federal and state supplemental tax rate applies to such payments as awards, voluntary separation incentive payments, lump sum retention, recruitment/relocation incentives, and lump sum annual leave payments.

**C. MILITARY SERVICE DEPOSIT RATES:** The following are calendar year interest rates to be used for computing military service deposits.

YEAR	INTEREST RATE%	YEAR	INTEREST RATE%
2010	3.125	1997	6.875
2009	3.875	1996	6.875
2008	4.750	1995	7.000
2007	4.875	1994	6.250
2006	4.125	1993	7.125
2005	4.375	1992	8.125
2004	3.875	1991	8.625
2003	5.000	1990	8.750
2002	5.500	1989	9.125
2001	6.375	1988	8.375
2000	5.875	1987	9.000
1999	5.750	1986	11.125
1998	6.750	1985	13.000

**D. BACK PAY INTEREST RATES:** The following rates should be used to update the OPM back-pay award interest program:

		April 1, 2005	6%
October 1, 2009	4%	January 1, 2005	5%
July 1, 2009	4%	October 1, 2004	5%
April 1, 2009	4%	July 1, 2004	4%
January 1, 2009	5%	April 1, 2004	5%
October 1, 2008	6%	January 1, 2004	4%
July 1, 2008	5%	October 1, 2003	4%
April 1, 2008	6%	July 1, 2003	5%
January 1, 2008	7%	April 1, 2003	5%
October 1, 2007	8%	January 1, 2003	5%
July 1, 2007	8%	October 1, 2002	6%
April 1, 2007	8%	July 1, 2002	6%
January 1, 2007	8%	April 1, 2002	6%
October 1, 2006	8%	January 1, 2002	6%
July 1, 2006	8%	October 1, 2001	7%
April 1, 2006	7%	July 1, 2001	7%
January 1, 2006	7%	April 1, 2001	8%
October 1, 2005	7%	January 1, 2001	9%
July 1, 2005	6%	October 1, 2000	9%

**E. OASDI and MEDICARE WAGE BASE AND WITHHOLDING RATES:** The OASDI wage base of \$106,800 remains unchanged for 2010. The withholding rate for OASDI remains at 6.20 percent. The wage base for Medicare is still unlimited and the withholding rate for Medicare remains at 1.45 percent.

**F. THRIFT SAVINGS PLAN ANNUAL LIMIT:** The TSP maximum annual deferral limit of \$16,500, and the maximum annual deferral limit for TSP catch-up of \$5,500 remain unchanged for 2010.

**G. FLEXIBLE SPENDING ACCOUNTS ANNUAL LIMIT:** For 2010, the Health Care FSA maximum contribution limit remains at \$5,000 and the maximum contribution limit to a Dependent Care FSA remains at \$5,000.

**H. HEALTH SAVINGS ACCOUNT:** For 2010, the Health Savings Account maximum contribution limit is \$6,150 for Family coverage and \$3,050 for Self-only coverage.

**I. RESCISSION:** This appendix rescinds OF Bulletin 09047E2.04 dated, April 3, 2009.

**J. QUESTIONS:** Questions concerning this appendix should be directed as follows:

VHA  
VBA  
All Others

VHA PAYROLL HELPLINE (Outlook)  
VAVBAWAS/CO/PERATIONS (Outlook)  
OFP Accounting Policy (Outlook)